

Version 3.3 November 2021

# **China CITIC Bank London Branch**

## **New Product Approval Policy**



**Document History**

<b>Author</b>	Chief Risk Officer	<b>Status</b>	FINAL
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<b>Version</b>	<b>Owner</b>	<b>Approval</b>	<b>Date</b>	<b>Major changes</b>
1.0	President	President	May 2018	PRA Regulatory Business Plan
1.1	CRO	MANCO	Sept 2018	As per ManCo approval dated 24/10/2018
2.1	CRO	MANCO	Oct 2019	As per ManCo approval dated 25/10/2019
3.1	CRO	ARCO	Oct 2020	As per ManCo approval dated 26/11/2020
3.2	CRO	ARCO	Jan 2021	As per ManCo approval dated 22/2/2021
3.3	CRO	ARCO	Nov 2021	<ul style="list-style-type: none"> <li>• Policy Ownership – ALCo first challenge (5).</li> <li>• Policy Ownership – ManCo determines if acceptable (5).</li> <li>• Policy Ownership – NPWG provides detailed assessment (5).</li> <li>• Policy Ownership – ARCo provides risk and control oversight (5).</li> <li>• Appendix A – updated RAS Customer /Product matrix (13)</li> </ul>

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## 1 Introduction

This document contains the New Product Approval Policy (“NPAP”) developed by China CITIC Bank London Branch (“the Bank” or “CNCBLB”). The NPAP governs the framework for launching any new products as well as any significant modification to an existing product.

## 2 Objectives

The objectives of this policy are to:

- Document, at a high level, how the Branch manages the introduction of new products and/or changes to existing products;
- Assign ownership and accountability for the maintenance of the NPAP;
- Ensure awareness of the life-cycle and associated risks across the suite of products; and
- Support the implementation of the Branch’s Risk Appetite including the Product/ Customer Matrix (See **Appendix A**).

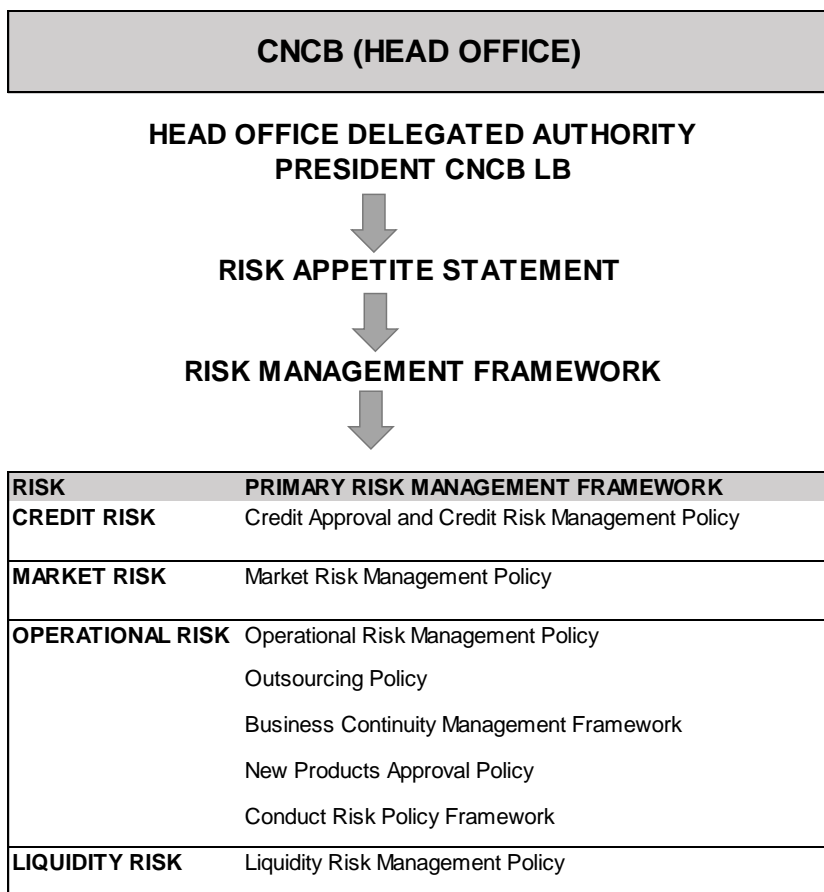
### 3 Policy Ownership

The 'chain' of ownership and oversight of this policy is set out below:

<b>Document Owner</b>	<p>The Chief Risk Officer ("CRO") of the Branch is responsible for the maintenance for this document.</p> <p>They will also be responsible for reviewing the adequacy of the policy on an annual basis or more frequently as required. Any material changes to this document will be communicated to staff accordingly.</p>
<b>Challenge</b>	<p>The Asset and Liability Committee ("ALCo") will be the first challenge and consider the impact to the Balance sheet. The Management Committee ("ManCo") would decide if the product is acceptable and that the 'New Product Working Group' can commence detailed work. The Audit and Risk Committee ("ARCo") will review and provide risk and control oversight to the new product approval process.</p>
<b>Approval</b>	<p>Based on approval from the ARCo, the Management Committee ("ManCo") will review and note this policy at least annually.</p>
<b>Applicability</b>	<p>All members of staff, whether permanent (local hires and expatriate alike) or contractors must operate in accordance with this Policy. Escalation of any matters arising in respect of this policy should be via the individual's Head of Department or directly to the VP.</p>

#### 4 Risk Management Framework

The New Product Approval Policy is a supporting policy for the Operational Risk framework that is integral part of the overall risk framework, which is presented as follows:



ManCo approve the overall Risk Appetite Statement for the Branch, this includes the strategic objectives and covers both the Target Markets and Product Matrix.

The Asset & Liability Committee (“ALCo”) must review and consider the impact on the Balance Sheet, Income statement and overall risk profile for all new products or any significant changes to existing products before presentation to ManCo for final approval from a strategic and overall risk appetite perspective.

Operational Risk department will manage the new products approval process through the 'New Product Working Group' which includes the input and sign-off by the business owner, Operations, Finance, Credit Risk, Market & Liquidity Risk and Compliance. The President will have the final veto on all products.

## **5 New Product Approval – Key Steps**

There are a range of key steps required before a new product can be launched or material changes can be made to existing products.

### **5.1 Initiation**

The NPAP process is initiated by a Product Sponsor who is typically the product 'owner' (i.e. Head of Department in the area wishing to launch /change a product). The Product Sponsor is expected to:

- Document a business case and present to ALCo to review and challenge before presenting to ManCo to approved the strategic perspective;
- Articulate of the concept of the product, with sufficient understanding of the overall business environment and nature of the new product;
- Coordinate with the support departments and outsourced company (if appropriate) in completing and providing the necessary risk assessment and documentation in a timely manner; and
- Obtain all necessary approvals and authorisations throughout the NPAP process.

## 5.2 Business case

The business case requirements are provided in **Appendix B**, which covers the following minimum requirements:

- A description of the new product/service and its features or significant modification to an existing product/service;
- Rationale of the product and impact on business and CNCBLB strategy ;
- Product characteristics (e.g. structure, product cycle, cash flow, operational requirements) this section should include a product structure diagram (with cashflows) and an operational work flow diagram including system requirements;
- Distribution channels (existing/new channel or relationship, costs involved, breakdown of the volumes per channel);
- Target Market;
- Market environment;
- Initial risk assessment including regulatory permissions and licensing requirements;
- Anticipated profitability; and
- Timescale of product development and launch;

The Product Summary and Business Case will be submitted to a 'New Product Working Group' for discussion to develop the new product.

## 5.3 New Product Working Group ("NPWG")

Once the product is approved from a strategic and business case, the introduction of a new product or changes to an existing product that could impact a number of departments ("Stakeholders"), needs to be considered by the NPWG, this includes:



- **Front Office** - product sponsor and understands the risks, systems, controls and customer suitability, including target customers, AML/KYC procedures, legal documentation and limits;
- **Information Technology ('IT')** - ensures adequate resources for system development, transaction processing and reporting, including testing and back-ups;
- **Operations** – transaction processing, including documented procedures, effective controls and sufficient resources to support the business;
- **Finance** – accounting process and valuation of transactions, including documented procedures, effective controls, capital requirements, financial reporting, liquidity impact and tax implications;
- **Compliance** – transaction monitoring against regulatory requirements including AML/KYC and sanctions/black-lists; and
- **Risk Management** – transaction monitoring against credit, market and liquidity risk appetite, including the risk management processes and methodologies to measure and report the underlying risks within the product.

As the launch or amendments to existing products could impact operational risk and internal controls, Operational Risk Department will ensure that all relevant stakeholders understand the risks and list all critical tasks or actions required relating to the new or changed product. The assessment should both identify the risks and, to the extent possible, quantify the pre and post management action.

If required, the Product Sponsor can seek approval from the President to obtain legal advice to complete the Risk Assessment or the drafting of any product documentation during the Pre-Launch phase.

For any product outside the CNCBLB Risk Appetite, the Delegated Authority of the President or for products not offered by Head Office (“HO”), approval must be obtained separately from the appropriate approval authority before the process can progress to Pre-Launch.

#### **5.4 Pre-Launch**

- Once the new product or amendments have been approved and signed off by the members of the New Product Working Group (see **Appendix C** for sign-off requirements) the following pre-launch requirements must be fulfilled before final sign-off or any marketing activities can be conducted: Product literature approved by both the business and Compliance;
- Marketing materials and distribution arrangements approved by Compliance;
- Product and associated systems testing have been completed; and
- Training for sales and support staff has been completed.

#### **5.5 Final Sign-off**

Once all relevant departments have signed-off that all action points and critical risks factors have been satisfactorily completed, the President of CNCBLB will have the final new sign-off on any product launch, as per the delegated authority and prescribed veto rights.

## **5.6 Post Launch Review**

Within six months of launching the new or changed product, the Product Sponsor must evaluate effectiveness and success of the implementation.

The Post-Launch Review must confirm that the product has been sold to the intended target client set; and if any unforeseen issues have arisen. The Review should also include a gap analysis against expected financial performance of the products.

A report setting out the findings from the Post Launch Review must be presented to the ARCo with any deviation from intended outcomes highlighted together with proposed remedial action as necessary. In extremis this could include discontinuation if performance of the product is incompatible with the RAS of the Branch and / or regulatory requirements.

## **5.7 Product Monitoring**

All products will be subject to continuous monitoring by risk and compliance departments.

Risk Department will, at least annually, review all products with the business sponsors and product owners to ensure continued relevance, regulatory changes and/or changes to the risk factors or product risk profile. This will normally form part of the annual Risk & Control Self-Assessment required under the Operational Risk Policy.

## **6 Review and Update of Policy**

The New Product Approval Policy shall be reviewed by the Risk Department at least annually or as directed by the ManCo, to reflect changes in the profile of risks or business activities, organisational or authority structures or new regulations relevant to CNCBLB management of market risk.

**Appendix A – Product / Customer Matrix****Updated for ARCo 22/11/2021 Risk Appetite Statement**

Products		Customers			
Category	Product and services	<i>CITIC Group entities</i>	<i>HO Financial Institutions</i>	<i>HO Corporates &amp; Non-bank FI</i>	<i>EMEA Corporate/FI</i>
<b>Treasury</b>	Foreign Exchange (Spot Only)	√	√	√	√
	Foreign Exchange Forwards/Swaps		√		
	Interest rate / Cross-Currency Swaps		√		
	Interbank lending / borrowing		√		
	CD's		√		
	Repo's		√		
	Corporate Bonds		√	√	√
	High Quality Liquid Assets ("HQLA")		√		
<b>Corporate Loans</b>	Domestic Gtee loans	√		√	√
	General Purpose Loans	√	√	√	√
	Revolving Credit Facility	√		√	√
	Project Finance	√		√	√
	Asset-backed Finance	√		√	√
	M&A Finance	√		√	√
	Leverage Finance	√		√	√
	Loan / Bond origination/underwriting	√	√	√	√
<b>Trade Finance</b>	Financial Institutions (Refinance, SBLC's, Letters of Credit and guarantees)		√		
	Corporates (Bill advancing, Letters of Credit, guarantees, forfaiting and receivable finance)	√		√	√
<b>Deposit Products</b>	Corporate Current accounts	√		√	√
	Corporate Deposit Accounts	√		√	√
<b>Payment Services</b>	UK Domestic payments	√		√	√
	International payments	√		√	√

**Appendix B – New Product Business Case**

Date		
Business Owner	..... Department	..... Name
Product Sponsor	..... Department	..... Name

<b>New Product Proposal</b>
<b>Proposed New Product Name:</b>
<b>Reason for Introducing New Product (Please tick appropriate option):</b> <input type="checkbox"/> New Product <input type="checkbox"/> Enhancement to Existing Product <input type="checkbox"/> Customer Complaint/ Feedback/Suggestion <input type="checkbox"/> Internal Research and Development <input type="checkbox"/> Local Regulatory Requirements <input type="checkbox"/> Other (Please Specify: _____)
<b>Product Description and Key Features (to be provided in separate 'New Product Memo')</b> The New Product Memo must as a minimum cover the following: <ul style="list-style-type: none"> <li>• A description of the new product/service and its features or significant modification to an existing product/service;</li> <li>• Rationale;</li> <li>• Product characteristics (e.g. structure, product cycle, cash flow, operational requirements);</li> <li>• Distribution channels (existing/new channel or relationship, costs involved, breakdown of the volumes per channel);</li> <li>• Target Market;</li> <li>• Market environment;</li> <li>• Initial risk assessment including regulatory permissions and licensing requirements;</li> <li>• Anticipated profitability; and</li> <li>• Timescale of product development and launch</li> </ul>

**Appendix C – New Product Approval (Sign-Off) Template**

Responsibility	Comments	Sign Off
Front Office	•	<p>.....</p> <p>Business sponsor / Product Owner</p>
Operations	•	<p>.....</p> <p>Head of Operations</p>
IT	•	<p>.....</p> <p>Head of Information Technology</p>
Compliance	•	<p>.....</p> <p>Chief Compliance Officer</p>
Financial Control	•	<p>.....</p> <p>Head of Finance</p>

Credit Risk	•	..... Head of Credit
Market Risk	•	..... Chief Risk Officer
Operational Risk	•	..... Chief Risk Officer
Business Owner / Product sponsor	•	

Final sign-off /Product Approval

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**President**